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Interview

STRAUSS ROMANIA: EVOLVING THE EXPERIENCE OF COFFEE CONSUMERS IS CRUCIAL

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1. In the first half of 2023, Strauss Romania experienced a remarkable 29% growth in sales compared to the previous year, making it one of the top performers in the group. Can you elaborate on the key factors driving this impressive growth?

The 29% represents the growth in shekels, although, even after neutralizing the exchange rate, we are still accountable for about 18% solid growth in RON. It all comes from the excellent performance in the Beans category and AFH (Away From Home), corroborated with the successful launch of new products: Doncafé Selected Crema in R&G, Home Barista Range and Doncafé Elita Crema in Beans, as well as a new range of Amigo innovations in Instant.

As channels stand, the excellent performance in Modern Trade, AFH and E-COMM lifted the overall sales while Traditional Trade is naturally shrinking. The success is the result of an internal cultural focus of consistent investment in our brands – Doncafé, Amigo, BeanZ and Totti – along with permanently challenging the pipeline of consumer-relevant innovations.

2. How has the coffee market in Romania evolved in value and volume, and what trends do you anticipate for the Romanian coffee market in the coming years?

The coffee market is on a continuous growth, driven by a permanent increase in the standard of living and a permanent need for a better experience in and out of home.

The traditional categories decline were compensated by a growth in trendy categories such as Beans and Capsules, an increase that was facilitated by the espresso machine producers on the one hand and e-retailers on the other hand.

With a permanent upgrade of the consumption in number of cups and an explosion of coffee solutions for out of home, we believe that the growth trend is here to stay.

3. Coffee consumption per capita in Romania has traditionally been lower than the European average. What strategies is Strauss Romania employing to encourage greater coffee consumption among Romanians?



We see an increase in the consumption of cups at home, and cumulated with a continuous growth in AFH, which will impact the perception of overall coffee consumption in Romania. We also consider the AFH a key growth driver, with channels like offices, retail and proximity increasing its shares with the help of quality professional automatic coffee machines. We are investing heavily, not only in the accessibility of the coffee solution but in product innovations, too.

4. Coffee preferences seem to be shifting toward whole beans and capsules, while ground coffee is on a declining trend. Could you discuss this change in consumer behaviour and how Strauss Romania is adapting to it?

Due to the continuing penetration of households with espresso machines (automatic, semi or capsules), we see an increased number of consumers who want to replicate the HoReCa experience at home.

Those people want good quality coffee, sophisticated drinks and convenience at the same time. Our task, as one of the leaders of the coffee category in Romania, is to create a bridge of communication with consumers, understand their needs and sometimes even push the innovation boundaries.

Launching Doncafe Fresh as an E-Comm & HoReCa solution 8 years ago, democratizing farmers' coffee with the help of Beanz Café brand, deployment of a wide range of beans solution for home, both in retail and e-comm

channels are a few of the initiatives that are today bringing solid effervescence in the Romanian Coffee Market.

5. Given the ongoing challenges such as inflation, rising raw material costs, and energy prices, how does Strauss Romania navigate these obstacles to maintain growth and profitability?

From the very beginning, we aimed to support our consumers and clients and to amortize the impact of the cost as long as we could. The impact of the increasing costs is significant, but we have a duty to our consumers: avoid big price shocks and create excitement. That was the reason and the thinking behind our strategy: to ensure business continuity as smoothly as possible and to modernize the category to stay in line with times.

6. Can you provide insights into the balance between maintaining brand loyalty and managing significant price increases, particularly in a high customer loyalty category?

Indeed, the coffee category is a category with loyal consumers (above the FMCG average). These consumers consider essential both functional and emotional needs at the same level. The beauty of this category is the particularity of the coffee moments, as well as the specificity of the places where they occur.



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The future of the coffee industry is not yet here. Developments such as the AI barista robots will revolutionize not only the future of evolved at-home convenience but HoReCa experience also.

Although elasticity in the category is high, the brand loyalty is higher. What we can observe is that in crisis times, consumers are staying with powerful brands, and that is the reason why we, as an industry, need to keep constant communication with consumers and remind them why coffee is a miracle in a cup.

7. Strauss Romania's portfolio includes well-known brands like Doncafé and Amigo. How do these brands contribute to the company's overall performance, and what strategies are in place to further strengthen their market positions?

These power brands are responsible for about 90% of our company's outcome, but this level of contribution did not happen overnight. We are talking about consistent investment in brands over the years, about huge availability, a permanent preoccupation for innovation and, not least, about building a relationship of trust with our consumer base.

8. Retail dynamics have seen discounter stores surpassing hypermarkets in market share. How is Strauss Romania adjusting its business strategy in response to these changes in the retail landscape?

Our strategy is around consumers needs and we are following the consumers wherever they are shopping. We can say that our sales split by channels reflects the channels and retailers shares within the coffee market, but we see AFH & E-COMM as the most dynamic channels, and we plan accordingly.

9. Sustainability and environmental responsibility are increasingly important in consumer choices. What sustainability initiatives and practices has Strauss Romania implemented, particularly in coffee production and supply chain?

We don't act in the sustainability area because it is trendy. We are acting because it is the right thing to do. Our solar park accounts for a large part of the energy consumption in the Bucharest Factory. Our "More than a cup" initiative looks to improve the farmers' conditions much above the supply chain ecosystem. Our initiatives for fair sources of coffee and being very close to

the coffee growing fields are impacting the way we do business.

10. In terms of innovation, you mentioned launching new products in the market. Can you share details about these new products and their significance in your portfolio?

Along with the increasing penetration of the espresso machines at home (approx. 500,000 new machines/year), we are increasing our solutions and launching, in 2023, new ranges of beans, such as Home Barista or Doncafe Elita Crema.

Also, to support traditional categories, we launched new SKUs like Doncafe Selected Crema (in R&G) or Amigo Mild, Crema, Decaf or Premium (in Instant). Having a partnership with the best German capsule producer (K-FEE), in E-COMM, we are permanently upgrading our capsule solution with new assortments under the brand Mr&Mrs Mill. In AFH, the innovations are made for the core HoReCa brands: BeanZ Cafe and Totti Caffè.

11. How does Strauss Romania perceive the potential for further market expansion and growth in the Romanian coffee industry, and what strategies are in place to capture these opportunities?

Romanians love coffee. This warm spirit will fuel future growth and will help innovations penetrate within households. There is just one real stakeholder in this category: the consumer.

The secret for capturing these opportunities is and will always be to listen to the consumer.

12. Lastly, what message or vision would you like to convey to your customers, partners, and the Romanian coffee-loving community regarding Strauss Romania's future direction and commitment to excellence in the coffee market?

We know that coffee moments are very important in your daily life, and we shall try to power them with the magic of the duality of the natural coffee bean.